

to mass currency where it is most needed, and by means of their power of note issue to equip every branch with ample resources for sustaining commercial credit without weakening' their reserves of actual cash. The effect of the Canadian system has been to make the rate at the most distant interior branch not more than one or two per cent, higher than to the best borrower in Montreal or Toronto, while in the United States rates range between ten and twelve per cent. in the newer sections of the country while money is a drug in the market in the great reserve cities.¹ The effect of the comparative unity of Canadian banking without the evils of monopoly which sometimes accompany such unity, is to diminish failures and protect a bank against local losses by the profits in other localities. The management at the central office are able to keep a sufficiently close watch upon every branch to prevent reckless banking and bad management, but they are willing to conduct a branch in many cases at a rate of profit which would not justify the maintenance of a separate bank or even of a branch bank without the power of note issue. How the branch system and freedom of note issue depend upon each other has been thus set forth by one of the most acute students of Canadian banking^a:

The note-circulation privileges granted to the banks render possible the maintenance of branches at many small country points where otherwise the loss of interest on the cash required for till purposes would render a branch unprofitable. The bank-notes themselves with a small amount of Government notes and coin for purposes of small change, form the till cash of these branches, but, so long as the notes are held there, they involve no loss of interest nor any addition to the liabilities of the issuing bank. *They are merely so much paper** On the other hand, the branches facilitate the successful operation of the bank-note currency by providing facilities for maintaining supplies of notes at the active rural centres where the notes are actually required to pay for the crops.

¹ Cornwell, 16.

² A. St. J. Triggs, in *New York Bankers' Magazine*, June, 1906[^] LXXII, 836.